

STATE OF SOUTH CAROLINA

(Caption of Case)

Application of Southland Utilities, Inc. for adjustment
of rates and charges for the provision of water
service.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET
NUMBER: 2007 - 244 W

(Please type or print)

Submitted by: Benjamin P. Mustian

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition

☐ Request for item to be placed on Commission's Agenda
expeditiously

☐ Other:

INDUSTRY (Check one)

NATURE OF ACTION (Check all that apply)

- ☐ Electric
☐ Electric/Gas
☐ Electric/Telecommunications
☐ Electric/Water
☐ Electric/Water/Telecom.
☐ Electric/Water/Sewer
☐ Gas
☐ Railroad
☐ Sewer
☐ Telecommunications
☐ Transportation
☒ Water
☐ Water/Sewer
☐ Administrative Matter
☐ Other:

- ☐ Affidavit
☐ Agreement
☐ Answer
☐ Appellate Review
☐ Application
☐ Brief
☐ Certificate
☐ Comments
☐ Complaint
☐ Consent Order
☐ Discovery
☐ Exhibit
☐ Expedited Consideration
☐ Interconnection Agreement
☐ Interconnection Amendment
☐ Late-Filed Exhibit
☐ Letter
☐ Memorandum
☐ Motion
☐ Objection
☐ Petition
☐ Petition for Reconsideration
☐ Petition for Rulemaking
☐ Petition for Rule to Show Cause
☐ Petition to Intervene
☐ Petition to Intervene Out of Time
☒ Prefiled Testimony
☐ Promotion
☐ Proposed Order
☐ Protest
☐ Publisher's Affidavit
☐ Report
☐ Request
☐ Request for Certification
☐ Request for Investigation
☐ Resale Agreement
☐ Resale Amendment
☐ Reservation Letter
☐ Response
☐ Response to Discovery
☐ Return to Petition
☐ Stipulation
☐ Subpoena
☐ Tariff
☐ Other:

Print Form

Reset Form

WILLOUGHBY & HOEFER, P.A.

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September 14, 2007

*ALSO ADMITTED IN TX

**ALSO ADMITTED IN VA

VIA HAND-DELIVERY

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RECORDED
2007 SEP 14 PM 4:13
SC PUBLIC SERVICE COMMISSION
OFFICE OF THE CLERK

RE: Application of Southland Utilities, Inc. for adjustment of rates and charges for the provision of water service; Docket No. 2007-244-W

Dear Mr. Terreni:

Enclosed for filing are the original and twenty-five (25) copies of each of the following documents in the above-referenced docket:

1. Direct Testimony of Bruce T. Haas
2. Direct Testimony of Lena Georgiev
3. Direct Testimony and supporting exhibits of Pauline M. Ahern

By copy of this letter, I am serving a copy of these documents upon all parties of record and enclose a Certificate of Service to that effect. I would appreciate your acknowledging receipt of these documents by date-stamping the extra copies that are enclosed and returning them to me via our courier.

If you have any questions or if you need any additional information, please do not hesitate to contact us.

Sincerely,

WILLOUGHBY & HOEFER, P.A.



Benjamin P. Mustian

BPM/twb

Enclosures

cc: Nanette S. Edwards, Esquire
Shealy B. Reibold, Esquire

OK P. Duke
OK D. Duke
SERVISE

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-244-W

RECEIVED
2007 SEP 14 PM 4:13
SOUTH CAROLINA
PUBLIC SERVICE COMMISSION

IN RE:)
)
Application of Southland Utilities, Inc.)
for adjustment of rates and charges)
for the provision of water service.)
_____)

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of **Direct Testimony of Bruce T. Haas, Direct Testimony of Lena Georgiev, and Direct Testimony and supporting exhibits of Pauline M. Ahern** by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Nanette S. Edwards, Esquire
Shealy B. Reibold, Esquire
South Carolina Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211



Tracy W. Barnes

Columbia, South Carolina
This 14th day of September, 2007.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-244-W

RECORDED
2007 SEP 14 PM 4:13
COMMUNICATIONS SECTION

IN RE:)
)
Application of Southland Utilities, Inc.)
for adjustment of rates and charges)
for the provision of water service.)
_____)

DIRECT TESTIMONY
OF
BRUCE T. HAAS

Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS?

A. My name is Bruce T. Haas, and my business address is 110 Queen Parkway, West Columbia, South Carolina 29169.

Q. WHERE ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Regional Director of Operations for Southland Utilities, Inc. in South Carolina and for six other operating subsidiaries of Utilities, Inc., four of which are in South Carolina and two of which are in Georgia.

Q. HOW LONG HAVE YOU BEEN EMPLOYED IN THE WATER AND SEWER UTILITY INDUSTRY?

A. Approximately 29 years.

Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. I first began my employment as a meter reader and maintenance worker in 1978 by Lake Holiday Utilities, Corp., which is also a subsidiary of the Company's parent, Utilities, Inc. During the next several years, I was promoted to Operator and Operating Manager positions for a number of Utilities, Inc. subsidiary systems, while earning various water and wastewater licenses in Illinois and Ohio, including the highest levels of

1 water treatment and wastewater treatment licenses from the Illinois EPA. I eventually
2 became the Area Manager for the Peoria, Illinois region, overseeing the water and
3 wastewater facilities in this area. In 1989, I transferred to Charlotte, North Carolina
4 where I accepted the position of Area Manager for several areas for Carolina Water
5 Service, Inc. of North Carolina, a sister subsidiary of the Company, a job I also
6 performed for the Company which involved operations of the River Hills and Tega Cay
7 Systems in York County, South Carolina. I was eventually promoted to Regional
8 Manager while in Charlotte. During this time I also obtained various water and
9 wastewater licenses in Water Treatment, Water Distribution, Wastewater Collection, and
10 Backflow/Cross-Connection certifications from the State of North Carolina and took
11 night courses in Civil Engineering Technology. I also hold the highest levels of water
12 and wastewater certifications for Water Treatment, Water Distribution, Wastewater
13 Treatment and Wastewater Collection from the State of South Carolina. In 2002, I was
14 promoted to my current position as Regional Director and given responsibility for the
15 Company's systems in South Carolina, along with two subsidiary companies located in
16 Georgia. However, the majority of my time is spent working on issues pertaining to the
17 Company's South Carolina systems.

18
19 **Q. WHAT ARE YOUR DUTIES WITH SOUTHLAND UTILITIES, INC.?**

20 **A.** I am responsible for making sure our customers receive the best possible service.
21 As such, I am responsible for all operating personnel, facilities, maintenance and capital
22 projects. In addition, I am responsible for communications with state and federal
23 regulators, including state utility commissions and environmental authorities as well as
24 other operational issues.

25
26 **Q. WOULD YOU DESCRIBE YOUR EXPERIENCE IN WORKING WITH OR**
27 **TESTIFYING BEFORE STATE UTILITY COMMISSIONS REGARDING RATE**
28 **CASES?**

1 **A.** Yes. I have testified before the commissions in North Carolina and South
2 Carolina, along with working with staff of the Illinois Commerce Commission during my
3 tenure with the Company.
4

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING,**
6 **MR. HAAS?**

7 **A.** The purpose of my testimony is to provide the Commission with a brief overview
8 of our South Carolina operations and our continued efforts to provide our customers with
9 the best possible water utility service and to support the portion of the Company's
10 application for modification of certain of the terms and conditions pertaining to water
11 service.
12

13 **Q. MR. HAAS, WOULD YOU BRIEFLY DESCRIBE THE COMPANY'S WATER**
14 **AND SEWER OPERATIONS HERE IN SOUTH CAROLINA?**

15 **A.** Yes. Southland Utilities, Inc., which I will refer to as Southland or the Company,
16 currently serves 175 water customers located in Lexington County. We deliver safe and
17 reliable water service to our customer's homes through the pumping and treatment of
18 ground water via our public water supply wells.
19

20 **Q. WITHIN THE COMPANY, WHO IS RESPONSIBLE FOR ENSURING THAT**
21 **CUSTOMERS ARE RECEIVING THE BEST POSSIBLE SERVICE?**

22 **A.** I have the overall responsibility for ensuring that our customers receive the best
23 possible service. In order to discharge this responsibility, I make every effort to see that
24 the Company hires and maintains a highly qualified and professional staff of individuals.
25 Together, we continue to make customer satisfaction the primary responsibility of each
26 and every employee.
27

1 **Q. WHAT ONGOING PROGRAMS DOES THE COMPANY HAVE IN PLACE TO**
2 **HELP ENSURE THAT CUSTOMERS RECEIVE QUALITY UTILITY**
3 **SERVICE?**

4 **A.** First and foremost, we make certain that our operations personnel are duly
5 certified by environmental regulatory authorities. We provide training resources in order
6 to increase their knowledge and education in the water and wastewater fields. Many of
7 our licensed operators hold the highest levels of water and wastewater certifications from
8 the State of South Carolina and we also employ two (2) registered Professional
9 Engineers. We also hold periodic staff meetings to specifically address service concerns,
10 as well as to increase employee sensitivity to customer satisfaction. Topics covered
11 include service problems we have encountered, steps taken to solve these problems, new
12 regulations and cost control measures. These regular meetings also serve as an
13 opportunity to reinforce our customer service philosophy, as well as to keep each of us
14 focused on what is important – our customers. Continuing education programs are
15 provided for all employees, including classes routinely conducted by Company staff as
16 well as outside consultants. Our most valuable resource is our personnel. By keeping up
17 to date with new methods and changing regulations, we enable them to provide better
18 service and hold down costs.

19 To ensure that our customers are provided the best possible service we also
20 employ a capital improvements program, as well as ongoing operational programs such
21 as routine testing and periodic water main flushing to improve water quality, a valve
22 exercising program, and a 24-hour-a-day, seven-day-a-week on-call emergency service.
23 Facilities are checked 7-days per week, 365-days per year. The Company also makes
24 regular upgrades to the Facilities including the replacement of various well buildings, the
25 installation of additional chemical feed equipment, upgrades to the plumbing and
26 electrical at various wells, the replacement of the water storage/hydropneumatic storage
27 tank and painting of all the facilities. These programs and upgrades ensure that
28 company-wide facilities are properly maintained and safety standards met.

1 Communication with our customers and community leaders regarding issues
2 which may have an impact on the quality or cost of service is also an important aspect of
3 our business. As increased environmental regulation continues to place upward pressure
4 on the cost of providing service, it becomes more important for us to inform customers of
5 the measures we must take to ensure that their drinking water is safe. Included in these
6 customer communication efforts would be attendance at Property Owners Association
7 (POA) meetings when we are notified, customer letters, bill inserts and back-of-the-bill
8 messages, the submission of information to local media outlets, annual Consumer
9 Confidence Reports detailing the Safe Drinking Water Act compliance, and new
10 customer welcome packets introducing our company and providing contact information
11 for problems or concerns.

12 In addition to these efforts, the Company has also implemented an automatic
13 message delivery system whereby we are able to provide specific information to
14 customers in a particular geographic area or subdivision, advising them of upgrades or
15 repairs being done to their system. We are also able to notify customers in advance of
16 scheduled repairs, along with boil water advisories following water line repairs, periodic
17 flushing of the water system, or other updates regarding repairs being made.

18
19 **Q. HAS INCREASED FEDERAL REGULATION OF THE WATER UTILITIES**
20 **CONTINUED TO HAVE AN IMPACT ON THE COMPANY?**

21 **A.** Absolutely, yes. The Safe Drinking Water Act, or SDWA has changed the way in
22 which water utilities conduct their business. DHEC implements statutes and regulations
23 adopted by the State of South Carolina under these federal enactments. Additional costs
24 have been placed upon water utilities to comply with more exacting limits in this area.
25 While we have already complied with many of the requirements contained in the
26 reauthorization of the SDWA, new requirements continue to be promulgated.

27
28 **Q. WHAT IMPACT DOES THIS HAVE ON THE COMPANY'S CUSTOMERS?**

1 **A.** For one thing, the cost of providing service obviously increases; but, in turn our
2 customers receive the benefit of safer drinking water that is free of harmful contaminants.
3 Our customers also benefit from our commitment to provide them with safe and reliable
4 utility service which is reinforced by compliance. Understandably, customers may be
5 unaware of our efforts to meet regulatory requirements since they do not necessarily see a
6 perceptible change in the quality of service and therefore, may also be largely unaware of
7 the hidden benefits of compliance. Without the benefits of compliance, residential
8 development simply cannot be sustained – much less begun. And, of course, these
9 benefits accrue to the overall well-being and value of the communities we serve.
10

11 **Q. MR. HAAS, YOU ALSO STATED THAT A PURPOSE OF YOUR TESTIMONY**
12 **IS TO SUPPORT THE COMPANY’S REQUEST FOR MODIFICATION OF**
13 **CERTAIN TERMS AND CONDITIONS PERTAINING TO THE PROVISION OF**
14 **THE COMPANY’S SERVICES; WOULD YOU PLEASE DESCRIBE THESE**
15 **MODIFICATIONS?**

16 **A.** Certainly. The first modification is to the rate schedule provisions pertaining to
17 service provided to rental units and is set out at page one of the water schedule. Since the
18 Company’s last rate case approximately seventeen (17) years ago, the legislature has
19 enacted a statute restricting the ability of any utility – whether governmental or investor
20 owned – to require a landlord to be financially responsible for utility service provided to
21 a tenant. This effectively invalidated the Commission’s long-standing regulation which
22 permitted this practice. A subsequent amendment to this legislative enactment permits a
23 utility to require a landlord to be responsible for service provided to a tenant in a multi-
24 unit building with more than three units which are not separately metered or connected.
25 This proposed modification is intended to bring the Company’s rate schedule into line
26 with the current law.

27 Another proposed modification consists of a new section six beginning on page
28 two. Regulations promulgated by DHEC under the State Safe Drinking Water Act
29 require the elimination of cross connections to public water systems which have the

1 potential for contaminating safe drinking water. Typically, a cross connection in our
2 customer base will consist of a separate water irrigation line which may or may not be
3 metered. The DHEC regulations prohibit any person from installing, permitting to be
4 installed or maintaining a cross connection unless there is an approved backflow
5 prevention device installed between the public water system and the potential source of
6 contamination. DHEC regulations further require that certain backflow prevention
7 devices be inspected annually by a DHEC certified tester. The modification to our rate
8 schedule provides notice to customers that any cross connections must be addressed by
9 an approved backflow prevention device and that the customer is responsible for the
10 annual inspection. In the event that a customer does not comply, this provision would
11 permit the Company to arrange for an inspection and bill the customer the costs of same
12 without markup. The Company has an obligation under the regulation to ensure that no
13 unprotected cross connections are in place and customers have an obligation under the
14 regulation not to install or maintain unprotected cross connections. This provision
15 insures that unaffected or compliant customers do not bear the cost of enforcing
16 compliance with this program by other customers.

17 The third modification deletes certain provisions of the rate schedule which
18 pertain to payments made by persons making contributions in aid of construction. This
19 section was required by the federal Tax Reform Act of 1986 and required that the amount
20 paid or transferred to a utility by customers, builders or developers for CIAC (including
21 water service connection charges and plant impact fees) be increased in an amount equal
22 to the income taxes owed on the transfer. This provision of the federal Tax Reform Act
23 has been repealed and is no longer applicable to such contributions. The final
24 modifications are to incorporate the pertinent DHEC regulations relating to single family
25 equivalents and to correct a technical citation error referring to the Commission's Rules
26 and Regulations.

27
28 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

29 **A.** Yes.